EXHIBIT D

Financial Report

of

Philip Morris & Co. Ltd.,

Incorporated

March 31, 1944

1002331002

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DIRECTORS

J. E. Archbell
Geo. P. Brauburger
O. H. Chalkley
L. G. Hanson
A. E. Lyon
H. E. Riddell
K. H. Rockey
W. B. Ryan, Jr.
J. J. Switzer

OFFICERS

O. H. Chalkley ..... *President*
A. E. Lyon ..... *First Vice-President*
W. C. Foley ..... *Vice-President*
T. F. Gannon ..... *Vice-President*
W. H. Hatcher ..... *Vice-President*
W. E. Liebetrau ..... *Vice-President*
G. J. Henn ..... *Vice-President*
L. G. Hanson ..... *Secretary-Treasurer*
W. S. Roulhac ..... *Assistant Treasurer*
L. C. Metzger ..... *Assistant Secretary*

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New York, N. Y.
June 24, 1944.

To the Stockholders of
PHILIP MORRIS & CO. LTD., INCORPORATED:

The Balance Sheet of your Company as of March 31, 1944, and its Statements of Income and Earned Surplus for the fiscal year ended on that date, are submitted herewith.

Net earnings for the year were $6,650,664 as compared with net earnings of $6,930,933 for the previous fiscal year. Despite an increase in dollar volume of sales to $177,901,262 from $141,046,615, we were unable to offset the effect of increased costs due principally to higher leaf tobacco prices. The Office of Price Administration has not permitted any increase in the prices chargeable for cigarettes and we do not venture to predict what action, if any, may be taken by that agency with respect thereto.

Dividends of $4.50 per share were declared on the Common Stock, as well as the required amounts on the Cumulative Preferred Stock, 4¼% and 4½% Series.

At a special meeting on March 17, 1944, the stockholders adopted a retirement compensation plan for employees as recommended by the Board of Directors, votes representing 622,178 shares being in favor of the plan and 11,539 shares against it. The plan has been submitted to the Commissioner of Internal Revenue for a ruling that it qualifies under section 165 (a) of the Code and when such ruling is received it is planned to make the plan operative immediately. If the ruling is unfavorable, the Board of Directors may make such amendments as may be necessary to qualify the plan or the Board may terminate it.

Prices of leaf tobacco of the 1943 crop were extremely high and manufacturers were limited by Government regulation in the quantity they were permitted to purchase to approximately 80% of their usings during the twelve months ended June 30, 1943. This, in conjunction with increasing demand for our goods by the Armed Forces, caused us (as well as most other manufacturers of cigarettes) to institute a system of rationing. The outlook for an increased production of leaf tobacco by growers during the 1944 crop year appears promising at this writing.

PHILIP MORRIS Cigarettes are our Company's principal product. Amongst the other brands manufactured by it are MARLBORO Cigarettes, ENGLISH OVALS Cigarettes and REVELATION and BOND STREET Smoking Tobaccos. Your support of these products is solicited both on the basis of their intrinsic merit and because your help in this way constitutes a valuable aid to the continued growth of the business.

Faithfully yours,
O. H. CHALKLEY,
President.

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PHILIP MORRIS & Co
(Incorpora
BALANCE SHE

Assets

Demand deposits in banks and cash on hand		$ 2,454,879.26
Accounts receivable:		
Customers	$11,479,403.29	
Others	194,717.55	
	11,674,120.84	
Less, Allowances for discounts and doubtful accounts	657,143.33	11,016,977.51
Inventories of leaf tobacco (including imported leaf in bond subject to duty), cigarettes and smoking tobacco in process, manufactured stock and other materials and supplies, at average cost		69,948,087.44
Cash in sinking fund held by trustee for redemption of Twenty Year 3% Debentures on May 1, 1944		205,750.00
Total current assets		83,625,694.21
Investments, at average cost (at market quotations, $1,229,833)		1,450,609.42
Prepaid expenses and deferred charges to operations		697,827.42
Advances to supplier		343,750.00
Investment in wholly owned English subsidiary, at cost		235,965.31
Other investments, at cost		10,800.00
Estimated post-war refund of excess profits tax		515,100.00
Fixed assets, at cost:		
Land	124,201.03	
Buildings, machinery and equipment	$ 5,508,794.99	
Less, Allowance for depreciation	2,161,884.74	3,346,910.25	3,471,111.28
Good will, trade-marks and brands, at cost		50,000.00
		$90,400,857.64

NOTES:

1. The Cumulative Preferred Stock, 4¼% Series, is redeemable at any time, at $104 per share if redeemed on or before April 1, 1949, and thereafter at diminishing amounts (not less than $102.50 per share), plus accrued dividends in all cases. The Cumulative Preferred Stock, 4¼% Series, is redeemable at any time at $107 per share if redeemed on or before April 1, 1945, and thereafter at diminishing amounts (not less than $104 per share), plus accrued dividends in all cases. Holders of shares of these series are entitled to $100 per share plus accrued dividends upon involuntary liquidation.

   Under the terms of the Cumulative Preferred Stock, the company is required to set aside in a sinking fund, within 80 days after the end of each fiscal year, certain amounts to be used for redemption purposes or it may use preferred stock in treasury for that purpose. The amount to be so set aside on or prior to June 19, 1944, will be $204,588.

2. The terms of issue of the Twenty Year 3% Debentures and the Cumulative Preferred Stock include certain restrictions on declaration or payment of dividends (other than dividends payable in stock of the company) on the Common Stock. At March 31, 1944 approximately $8,500,000 of the earned surplus was free of such restrictions.

3. The company has instructed certain companies to purchase leaf tobacco for it in Turkey and Syria. The aggregate cost of tobacco so purchased at March 31, 1944 but for which the company had not been billed was estimated

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, LTD., INCORPORATED
d in Virginia)

T, MARCH 31, 1944

LIABILITIES

Notes payable, banks			$ 5,000,000.00
Accounts payable:			
Trade creditors		$ 3,781,968.43	
Dividends payable:			
On Cumulative Preferred Stock, payable May 1, 1944	$ 210,473.32		
On Common Stock, payable April 15, 1944	2,248,229.25	2,458,702.57	
Others		311,165.37	6,551,836.37
Twenty Year 3% Debentures to be redeemed, or for which provision for redemption is to be made, within one year			400,000.00
Provision for federal taxes on income		6,028,140.92	
Less, U. S. Treasury tax notes and accrued interest thereon		4,084,237.00	1,943,903.92
Provision for sundry taxes, additional compensation, storage, etc.			1,644,626.25
Total current liabilities			15,540,366.54
Twenty Year 3% Debentures:			
Due May 1, 1962		5,900,000.00	
Due March 1, 1963		6,000,000.00	
		11,900,000.00	
Less, To be redeemed, or for which provision for redemption is to be made, within one year		400,000.00	11,500,000.00

CAPITAL

Capital stock:			
Cumulative Preferred Stock, par value $100 per share:			
Authorized 200,000 shares (Note 1)			
Issued and outstanding:			
4¼% Series, 146,026 shares	14,602,600.00		
4½% Series, 49,169 shares	4,916,900.00	19,519,500.00	
Common Stock, par value $10 per share:			
Authorized 1,000,000 shares			
Issued and outstanding, 999,235 shares of which 276,000 shares were issued for $4 a share		8,336,350.00	
		27,855,850.00	
Surplus:			
Capital (no change during year)	15,739,645.75		
Earned (Note 2)	19,764,995.35	35,504,641.10	63,360,491.10
			$90,400,857.64

to be approximately $5,000,000 exclusive of transportation costs. This amount is not reflected in inventories or liabilities in the balance sheet. With the exception that insurance against land war risk is not available, the company believes itself adequately insured against losses to this tobacco while in transit.

4. The company has concluded a renegotiation agreement providing for a reduction of $310,000 in billings on government contracts in the fiscal year ended March 31, 1943. The net cost to the company, after adjustment of taxes, amounted to $58,900, which amount has been reflected as a special charge in the appended statement of income for the year ended March 31, 1944.

The percentage of profit realized on government sales during the year ended March 31, 1944 is believed to be less than that resulting from the concluded renegotiation agreement for the preceding fiscal year, and no provision has been made for reductions in prices applicable to the current fiscal year. However, pending renegotiation proceedings, it cannot be stated whether or not any reduction in billings for the fiscal year ended March 31, 1944 will be required.

5. *Contingent Liability:* Suit has been instituted by certain minority stockholders against certain present and former officers and directors. While this suit is for the benefit of the company it may be liable to the officers and directors under Section 61-a of the General Corporation Law of the State of New York and under Article V of the By-laws of the company which provide for the indemnification of officers and directors for their reasonable expenses including attorneys' fees.

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STATEMENT OF INCOME
for the year ended March 31, 1944

Net sales		$177,901,262.71
Cost of sales		152,420,129.98
Gross profit from operations		25,481,132.73
Shipping, selling, general and administrative expenses		12,507,038.20
Net profit from operations		12,974,094.53
Add:		
Dividends received	$ 81,723.01	
Other income	67,303.38	149,026.39
		13,123,120.92
Deduct:		
Interest expense	376,326.54	
Provision for additional compensation to officers and employees, in accordance with authorization of stockholders at meeting of July 20, 1937	148,529.09	
Prior service contribution under company retirement plan	88,701.00	
Net adjustment on renegotiation of prior year government contracts	58,900.00	672,456.63
Net income, before provision for federal taxes on income		12,450,664.29
Provision for federal taxes on income:		
Income tax	4,320,000.00	
Excess profits tax (after deducting $165,000 estimated post-war credit)	1,480,000.00	5,800,000.00
Net income for the year		$ 6,650,664.29

NOTE: Provision for depreciation amounted to approximately $318,000 in the year ended March 31, 1944.

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STATEMENT OF EARNED SURPLUS
for the year ended March 31, 1944

Balance, March 31, 1943			$18,465,872.96
Add, Net income for the year ended March 31, 1944			6,650,664.29
			25,116,537.25
Deduct:			
Cash dividends declared:			
On Cumulative Preferred Stock	$ 844,009.40		
On Common Stock	4,496,415.00	$ 5,340,424.40	
28 full shares of Common Stock issued in exchange for 56 Common Stock Dividend Scrip Certificates, Series A, which certificates were issued in connection with stock dividend paid November 15, 1938, at par value		280.00	
Premium on shares of Cumulative Preferred Stock reacquired pursuant to sinking fund requirements		10,837.50	5,351,541.90
Balance, March 31, 1944			$19,764,995.35

To the Board of Directors of
PHILIP MORRIS & CO. LTD., INCORPORATED:

We have examined the balance sheet of PHILIP MORRIS & CO. LTD., INCORPORATED as of March 31, 1944, and the statements of income and surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate. Confirmations of receivables were not obtainable from United States Government departments, but we followed such other audit procedures as we deemed appropriate in connection with our examination of those receivables. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the position of the company at March 31, 1944, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY
Certified Public Accountants

New York, June 1, 1944.

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